



# RESEARCH REPORT

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<b>Catalog number</b>	99007
<b>Date:</b>	June 10, 1999
<b>Subject:</b>	Gila Bend Justice Court IGA – Cost/Benefit Analysis
<b>To:</b>	David Smith, County Administrator Officer
<b>From:</b>	Sandi Wilson, Deputy County Administrator Chris Bradley, Budget Manager
<b>Prepared By:</b>	Michael I. Heslin, Budget Analysis Dan Paranick, Budget Coordinator

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## Issue

What would be most beneficial option for Maricopa County Justice Courts and the Town of Gila Bend concerning the establishment of an Intergovernmental Agreement relating to the court system operations?

## Background

The Office of Management and Budget (OMB) has been working with Justice Court Administration and the Town of Gila Bend in drafting an intergovernmental agreement so that both courts may continue to operate without disruption of services. The negotiations have gone from an intergovernmental agreement which will charge the Town of Gila Bend for services rendered for the Magistrate Court to an agreement that will give Maricopa County full jurisdictional responsibilities over both courts.

According to the findings of the Audit Report, County Justice Court Clerks were performing duties for both the Gila Bend Justice Court and the Town of Gila Bend Municipal Court. In exchange, the Town of Gila Bend reimbursed the County Clerks for their time. This financial arrangement has been in place without an agreement between the County and the Town for the past several years. The Internal Audit Report recommended a series of options that should be considered to correct this situation and formalize this partnership.

Following review of the Audit Recommendations, and addressed in previous correspondence to the County Administrator from OMB on November 20, 1998, the Office of Management and Budget recommended that the County pursue the Intergovernmental Agreement option that was recommended in the Audit Report. Since that time, two alternatives have been discussed and considered as the basis for the IGA. The first option would require the Town of Gila Bend to reimburse Maricopa County for the services being provided. The second option explores the possibility of the County taking over full jurisdictional authority of the Gila Bend Municipal Court. In

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evaluating these options, it is important to note that any such agreement assumes full cost recovery, including direct (Personnel, Supplies and Services, Rent, and Utilities) and indirect costs related to the proposed alternatives.

Considering this direction, the following analysis evaluates the current operating arrangements and the potential or estimated cost/benefit of the two options being considered.

## Discussion

### Current Operations

The table below outlines the Gila Bend Justice Court's actual and anticipated operating revenue and expenditures between FY 1996-97 and FY 1999-00.

	<b>FY 1996-97</b>	<b>FY 1997-98</b>	<b>FY 1998-99</b>	<b>FY 1999-00</b>
	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimated</b>
<b>REVENUE</b>				
Fees and Charges	133,974	1,670	1,287	1,304
Fines and Forfeits	11,481	107,408	146,982	148,966
JP Salary Reimbursement	32,327	32,327	32,327	32,807
Miscellaneous Revenue	452	298	212	216
<b>TOTAL REVENUE</b>	<b>178,234</b>	<b>141,703</b>	<b>180,808</b>	<b>183,293</b>
<b>EXPENDITURES</b>				
Personal Services	151,003	161,249	157,141	169,972
Supplies and Services	20,579	18,518	8,232	8,035
Building Maintenance	-	-	12,000	12,000
Capital	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>171,582</b>	<b>179,767</b>	<b>177,373</b>	<b>190,007</b>
<b>NET REVENUE/EXPENDITURES</b>	<b>6,652</b>	<b>(38,064)</b>	<b>3,435</b>	<b>(6,714)</b>

As the table illustrates, the net revenue over expenditures has varied over the past few years, with actual and projected operating surpluses of \$6,652 in FY 1996-97 and \$3,435 in FY 1998-99. There was an actual operating deficit of \$38,064 in FY 1997-98, and an estimated operating deficit of \$6,714 in FY 1999-00.

Another area of observation is the \$12,000 being spent for maintenance for the court building. Before FY 1998-99, Justice Court Administration had an outside vendor providing maintenance to the court building of Gila Bend. That vendor no longer is providing the service because of the traveling distance. Because of the importance of maintaining the building, a verbal agreement was entered into between the Town of Gila Bend and Maricopa County to provide maintenance for inside and outside the

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court building for \$1,000 a month. This agreement was established and is currently being honored by Justice Court Administration for said dollar amount.

Of particular interest is the \$38,064 operating deficit in FY 1997-98. The reason for this large variance is a decrease in revenue of approximately 25% between FY 1996-97 and FY 1997-98 resulting from the increase in speed limits in surrounding areas. Ultimately, the changed speed limits resulted in significantly fewer case filings and less revenue in FY 1997-98. However, according to Justice Court staff, the impact of the speed limit change was limited to one year. Case filings and projected revenues are expected to return to the levels similar to those of FY 1996-97 by the end of FY 1998-99. **Assuming that the revenues will be regenerated, which appears likely based on FY 1998-99 year-to-date collections, the operating deficit for FY 1999-00 is estimated at \$6,714 given the current operating arrangements.**

The table below provides the actual, projected and estimated caseload over a four-year period.

	FY 1996-97		FY 1997-98		FY 1998-99		FY 1999-00	
	Actual	%	Actual	%	Projected	%	Estimated	%
<b>CASELOAD</b>								
Justice Court Cases	4,191	74%	2,937	70%	4,248	74%	4,305	74%
Municipal Court Cases	1,475	26%	1,241	30%	1,490	26%	1,510	26%
<b>TOTAL CASES</b>	<b>5,666</b>	<b>100%</b>	<b>4,178</b>	<b>100%</b>	<b>5,738</b>	<b>100%</b>	<b>5,815</b>	<b>100%</b>

Again, as discussed above, the Justice Court portion of the caseload was reduced significantly, but projections for FY 1998-99 and FY 1999-00 indicate that this reduction is anticipated to have a one-year impact. **Taking these projected caseloads into consideration and for the purposes of this analysis, the distribution of caseload between the two justice courts of 74% for Justice Courts and 26% for the Municipal Courts is used as the basis for evaluating the expenditures for the two IGA alternatives discussed and evaluated below.**

#### Alternative One

Alternative One is premised on the Town reimbursing the County for services rendered. The revenues and expenditures for the first alternative, including direct and indirect costs and full cost allocation are listed in the table below.

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	<b>FY 1999-00</b>	<b>FY 1999-00</b>	<b>FY 1999-00</b>
	<b>County</b>	<b>Town</b>	<b>Total</b>
<b>REVENUE</b>			
Fees and Charges	1,304	-	1,304
Fines and Forfeits	148,967	-	148,967
JP Salary Reimbursement	32,807	-	32,807
Miscellaneous Revenue	215	-	215
Town Intergovernmental	-	42,083	42,083
Town Lease Revenue	-	12,000	12,000
<b>TOTAL REVENUE</b>	<b>183,293</b>	<b>54,083</b>	<b>237,376</b>
<b>EXPENDITURES</b>			
Personal Services	125,779	44,193	169,972
Supplies and Services	9,868	3,467	13,335
Building Maintenance	8,880	3,120	12,000
Capital	-	-	-
<b>Total Direct Expenditures</b>	<b>144,527</b>	<b>50,780</b>	<b>195,307</b>
<b>Total Indirect Expenditures</b>	<b>17,606</b>	<b>6,186</b>	<b>23,792</b>
<b>TOTAL EXPENDITURES</b>	<b>162,133</b>	<b>56,966</b>	<b>219,099</b>
<b>NET REVENUE/EXPENDITURES</b>	<b>21,160</b>	<b>(2,883)</b>	<b>18,277</b>
<b>* Expenditure Allocation between Town and County based on % distribution of caseload.</b>			

The proposed Intergovernmental Agreement revenue for the first alternative is based on expenditures projected by Justice Court administration that would be needed to run the Municipal Court. These expenditures are based on one FTE including benefits, \$30,598; Supplies \$5,300; and indirect costs of \$6,186, total of \$42,083. The Town providing maintenance to the Justice Court would offset the \$12,000 revenue for lease. However, when the expenditures are allocated by caseload and indirect costs are included, this initial arrangement offered to the Town by the Justice Court does not provide for full cost recovery.

If Alternative One is pursued, the total net revenue over expenditures, including the County's and the Town's portions of the revenue and expenditure amounts is estimated at \$18,277. **However, if full cost recovery was to be collected through the IGA the Town would need to pay \$56,966, not the \$42,083 estimated by the Justice Courts.**

### Alternative Two

Alternative Two is premised on the County assuming full jurisdictional control over the Town's Municipal Court operations. State statute 22-402 states: "maintaining a municipal court, a city or town may enter into an intergovernmental agreement as authorized by title 11, chapter 7, article 3 to provide the services of a municipal court,

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including the jurisdiction of all cases arising under the ordinances of the city or town, with either: 1. A justice of the peace in whose jurisdiction the city or town is located and the county in which the city or town is located. 2. Another city or town located within the same county as the city or town.”

The revenues and expenditures for Alternative One, including direct and indirect costs and full cost allocation, are listed in the table below.

	<b>FY 1999-00</b>	<b>FY 1999-00</b>	<b>FY 1999-00</b>
	<b>County</b>	<b>Town</b>	<b>Total</b>
<b>REVENUE</b>			
Fees and Charges	1,304	-	1,304
Fines and Forfeits	148,967	-	148,967
JP Salary Reimbursement	32,807	-	32,807
Miscellaneous Revenue	215	-	215
Municipal Court Revenue	-	43,068	43,068
<b>TOTAL REVENUE</b>	<b>183,293</b>	<b>43,068</b>	<b>226,361</b>
<b>EXPENDITURES</b>			
Personal Services	125,779	44,193	169,972
Supplies and Services	9,868	3,467	13,335
Building Maintenance	8,880	3,120	12,000
Capital	-	-	-
<b>Total Direct Expenditures</b>	<b>144,527</b>	<b>50,780</b>	<b>195,307</b>
<b>Total Indirect Expenditures</b>	<b>17,606</b>	<b>6,186</b>	<b>23,792</b>
<b>TOTAL EXPENDITURES</b>	<b>162,133</b>	<b>56,966</b>	<b>219,099</b>
<b>NET REVENUE/EXPENDITURES</b>	<b>21,160</b>	<b>(13,898)</b>	<b>7,262</b>
* Expenditure Allocation between Town and County based on % distribution of caseload.			

In Alternative Two, Maricopa County would receive all revenue received for the municipal court. Because of the Town no longer being involved in the Court process, the County would lose the \$12,000 lease charge that would offset the maintenance charge. The expenditures would remain the same as the base budget except for the increase in supplies of \$5,300 according to the Internal Audit report. There would be no increase in personnel charges because Maricopa County already provides these services with three clerks and Justice of the Peace Getzwiller is relinquishing her magistrate salary. It is estimated that alternative one would result in net revenue over expenditures of \$7,262.

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## Conclusion

The following table summarizes the costs of a) Current Operations, b) Alternative One, and c) Alternative Two as previously presented. It also indicates net variance comparisons for each.

DESCRIPTION	Current- Operations	Alternative One		Alternative Two	
	FY 1999-00 Estimated	FY 1999-00 Estimated	Var to Current Operations	FY 1999-00 Estimated	Var to Current Operations
TOTAL REVENUE	183,293	237,376	54,083	226,361	43,068
TOTAL EXPENDITURES	190,007	219,099	29,092	219,099	29,092
NET REVENUE/EXPENDITURES	(6,714)	18,277	24,991	7,262	13,976

When comparing Alternative One with Current Operations, it is estimated that the County would have a net gain of \$24,991 over Current Operations. However, the Town of Gila Bend would have a significant negative net loss because it would still be paying the municipal judge salary of \$12,500 and would have to increase its contribution to the County to include full cost recovery. **Alternative One, while beneficial to the County, is not financially beneficial to the Town.**

**Alternative Two presents a cost benefit to both the Town and the County. As illustrated in the summary above, the County would benefit with a net gain over current operations of \$13,976. In addition, although not illustrated, the Town would increase its revenue base by \$12,000 for the maintenance, would not have to pay the salary of the Town Magistrate and would not have the administrative burden of operating the Municipal Court.**

## Recommendation

**Both alternatives would be acceptable to pursue if Alternative One provided for full cost reimbursement. Given the fact that it is not likely that the Town of Gila Bend would consider entering into an agreement based on Alternative One, OMB recommends that Maricopa County pursue an agreement in which the County assumes full jurisdictional authority over the Town of Gila Bend Municipal Court.**